



PREPARE FOR THE UNEXPECTED
BEING FORTHRIGHT AND REALISTIC

PACIFIC M&A AND BUSINESS BROKERS LTD.

THE LINK TO SELLING YOUR BUSINESS | LOCAL KNOWLEDGE WITH A GLOBAL REACH

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PREPARE FOR THE UNEXPECTED

“Being Forthright and Realistic”

None of us like to think about the ‘what if’ scenarios of life. As business owners, we like to be frank, upfront, and realistic – unfortunately, not often enough with ourselves. It is time to be realistic and transparent with yourself and yes, with your loved ones.

Running one’s business is what one does as a business owner – that is what you are, it is your identity. Moreover, you enjoy it. You are not ready to retire or sell, just yet. You are still in good shape, and love what you do every day, or most days. Is this you? Is your plan to work forever or for another few years while you can?

Did you know that at death, taxes could be triggered at a personal, corporate, and / or an estate level? Upon death, there could be a deemed disposition of the company’s shares / stock resulting in undesirable and heavily burdening tax consequences being triggered that will negatively impact one’s loved ones and / or one’s estate.



THERE ARE STEPS YOU NEED TO TAKE NOW

Plan for an Unexpected Turn of Events

We hope it never happens but being prepared, and not leaving the burden to your loved ones, is not only important but the right thing to do. Realistically, in the event of your death or incapacitation, your spouse, other family members, or other loved ones will likely be the people burdened with 'how to deal with your business'.

The reality is that in many cases, your loved ones or estate do not have your skills, ability, desire, or in many instances, the fondness to continue running your business.

The business then, will end up being poorly managed destroying value, sold as a distressed sale, or shut down entirely.

One of the most important steps you can take in mitigating the burden for your loved ones is to prepare the business for such events.

Preparing for the unexpected is extremely difficult if you do not understand the value of your business and / or assets.

As the business owner who fully understands the business, do not leave the determination of value to your estate, especially since the business value then may already have taken a downward turn.

Successfully selling a business includes preparation, and just as importantly, understanding the true market value of the business and the value drivers.

Here are some things you can do now, to make this process as simple and painless as possible for your loved ones who will need to manage your affairs in such unfortunate events.

- Choose to be prepared in the event something should happen to you.
- Evaluate your business so you have a reference and a starting point now.
- Like a will, update the valuation regularly.

IMPORTANCE OF A BUSINESS VALUATION IN PREPARING FOR THE UNEXPECTED

An assessment of value will give you priceless insight into your business and including but not limited to the following:

- What the value drivers for your business are
- How your business is performing against other comparable businesses
- How your expectation of value relates to the true interpretation of the market value
- Who will the likely buyer of your business be
- What size will the pool of buyers for your business be
- What will the view be from the buyer's window vs. yours
- How efficient your business is
- What the goodwill vs. the tangible value of the business is
- How financeable the purchase of your business can be, and what terms you could expect
- How much working capital does your business need, and how much should be included with the business in a potential sale

Armed with this information, you will know what to reasonably expect from the sale of your business should you elect to exit your business voluntarily or ahead of an involuntary exit due to some unfortunate event. More importantly, in an unfortunate involuntary exit, your surviving spouse or loved ones will be prepared and armed with some insight on realistic expectations.

Once the valuation has been performed, there is value in discussing the results with your accountant and consider tax planning strategies to guide you, or your estate with prudent tax strategies to optimize the benefit to your beneficiaries.

Your loved ones should not have to deal with, or manage everything on their own when it's time to sell your business. Surround yourselves with an experienced team like the professionals at Pacific M&A and Business Brokers. Your accountant, lawyer, financial planner, and M&A advisor will (and should) then be familiar with the plan. Having an M&A advisor that you trust, and is certified, knowledgeable, and experienced in strategic business sales is a vital part of your 'preparedness'.

We call this being in a **'state of preparedness'**, since when in that state, whether the exit from your business is voluntary or involuntary, it will pay to be prepared.

In preparing for such state, there are specific nuances that a certified professional M&A advisor will be aware of, that can help you navigate the intricacies of selling your business if and when you are ready, or in the event of something unfortunate occurs where the sale is involuntary.



WHAT ELSE OTHER THAN A BUSINESS VALUATION?

Naturally, your personal affairs, wills and plans should also be in place, as well as an effective tax plan, not only for you while living, but also for your loved ones in the event of your death or disability.

In fact, the same state of preparedness will serve you well in any of the so-called 'Dismal Ds' of small businesses, which include:

- **Death:** Your own, or that of a partner or spouse
- **Departure:** Of a business partner
- **Disability:** Your own, or that of a business partner
- **Disagreement:** Between business partners
- **Distress:** Within your business
- **Divorce:** Your own, or that of a business partner

As seen just recently, life is full of uncertainty. Be in a state of readiness, be prepared – expect the unexpected!

Plan and prepare for such potential events that we all hope will never happen, especially when there are some things **you can prepare for**. If some things were to happen to you, make sure your loved ones know who can help. During times of transition, thinking about having to sell a business can be overwhelming.

Having a team of professionals already familiar with you, your family, and your business will lighten the burden. Meet with your team annually, and make sure they know your plan.



FIVE STEPS TO PREPAREDNESS

- Build your team of professionals and meet with them annually.
 - a. M&A Advisor / Business Broker
 - b. Accountant / CPA
 - c. Financial Planner
 - d. Lawyer
- Work with your M&A Advisor to complete an assessment of value of your business.
 - a. Update the valuation at least annually
- Armed with the information from the assessment of value, work with your financial planner and using the calculated proceeds of sale, create a financial plan.
- Together with your accountant, develop a tax plan / strategy and avoid giving most of your hard-earned corporate dollars to the taxman.
- Sort and organize your business information and documents, and inform your loved ones where to access them in case of an emergency. This should include a full 'preparedness package' of sorted organized information including but not limited to:
 - a. Immediate family members' contact information
 - b. Trustee and executor of living will
 - c. A list of all trusted advisors and related contact information so your loved ones can contact them in time of need
 - d. A list of personal assets and if applicable, their value
 - e. List of insurance policies, applicable values, attending brokers, etc.
 - f. List of investments and statements and if applicable, investment managers
 - g. List of bank accounts, chequing accounts, savings accounts, deposit boxes, and others as well as wealth managers, bank managers, and other related contacts
 - h. List of mortgages and / or other debt obligations and personal liabilities, their values and related contacts
 - i. List of any real property, value, and related documents
 - j. List of any leases and related contacts
 - k. List of any material contractual agreements with anyone
 - l. List of any gifts, promises, and loans to family members, including repayment terms, if any
 - m. Personal living wills
 - n. Power of Attorney
 - o. Legal documents such as a birth certificate, passport, marriage certificate, divorce certificate, etc.



We hope you found this information useful. Should you need assistance in getting this preparedness package together, please contact us and we would be happy to meet you for a free, no obligation consultation of your needs and related costs.

Pacific M&A and Business Brokers is a Vancouver-based boutique mergers and acquisitions, and business brokerage firm that specializes in business sales preparedness, valuations, and sales of small-to-medium privately owned businesses.

Our business brokers and M&A advisors are trained, certified, and experienced in providing the trusted and confidential advice you need to be in a state of 'readiness'.

"Everyone exits their business at some point or another. The question is not if, but when, and under what conditions, a voluntary and planned exit, or an involuntary and / or unplanned exit where your loved ones then have to deal with what you did not."

Selling your business may be the largest financial transaction you may make in your lifetime.

Protect your hard-earned investment by selecting an M&A advisor or business broker that has the **KNOWLEDGE** to confidentially deal with, and navigate through complex and multi-faceted issues and tasks; the **EXPERIENCE** to get the job done right as you don't get a second chance; and the **TRUST** earned by so many of Pacific's clients in so many diverse industries, and with over almost two decades of helping business owners successfully exit their business.

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